DOCUMENT RESUME

ED 441 132 CE 080 143

TITLE	Organizations in Transition. Symposium 41. [Concurrent Symposium Session at AHRD Annual Conference, 2000.]
PUB DATE	2000-03-08
NOTE	24p.; In: Academy of Human Resource Development Conference Proceedings (Raleigh-Durham, North Carolina, March 8-12, 2000); see CE 080 095.
PUB TYPE	Collected Works - General (020) -- Speeches/Meeting Papers (150)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Adjustment (to Environment); Administrator Attitudes; Administrators; Adult Education; Banking; Case Studies; Decision Making; Economic Change; Educational Cooperation; Foreign Countries; Human Resources; International Cooperation; International Educational Exchange; International Programs; *Labor Force Development; Manufacturing Industry; Mergers; Models; *Organizational Change; *Organizational Development; Performance Factors; Research Methodology; *Small Businesses; Strategic Planning; Success; Trend Analysis; *Work Environment
IDENTIFIERS	*High Performance Work Organizations; Oklahoma; Russia

ABSTRACT

This document contains three papers from a symposium on organizations in transition that was conducted as part of a conference on human resource development (HRD). "Human Resource Development in an Industry in Transition: The Case of the Russian Banking Sector" (Alexander Ardichvili, Alexander Gasparishvili) reports on a study documenting issues and problems faced by the HRD system in the Russian banking industry, identifies trends in the system's development, and provides insight into evolution of the workforce education and HRD systems in industries in transition. "High Performance and Human Resource Characteristics of Successful Small Manufacturing and Processing Companies" (William R. Venable) discusses a study in which executives from 31 successful small manufacturing companies in Oklahoma were interviewed about their perceptions of high performance and other human resource-related characteristics in their organizations. "HR (Human Resources) Involvement Decisions and Strategies in Mergers and Acquisitions: Four Organizational Portraits" (C. Carol Anthony, Laurel S. Jeris, James R. Johnson) describes a case study in which three theoretical models were used as lenses to explore the timing and scope of HRD involvement in four organizations that were recently involved in a merger or acquisitions. The papers contain reference sections. (MN)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 441 132

2000 AHRD Conference

Organizations in Transition

Symposium 41

Ardichvili/Venable/
Jeris

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

Raleigh-Durham, NC

March 8 - 12, 2000

BEST COPY AVAILABLE

CE 080 143

Human Resource Development in an Industry in Transition: The Case of The Russian Banking Sector

Alexander Ardichvili
University of Illinois at Urbana/Champaign

Alexander Gasparishvili
Center for Sociological Research, University of Moscow

This study documents issues and problems faced by the Human Resource Development (HRD) system in Russian banking industry, identifies future trends for the development of this system, and provides insights into the evolution of the workforce education and human resource development systems in industries in transition. Recommendations for the transfer of Western HRD practices, and a number of future research directions are formulated. The study was conducted in 1998; it included 70 large and medium-sized banks from 6 regions of Russia, and 45 education and training institutions.

Key Words: Economic Transition, Banking, International Human Resource Development

The development of financial markets and of strong banking institutions is essential for the successful transition to a market economy. A viable market-oriented banking system needs a critical mass of qualified professionals, capable of working in a new, more competitive and volatile environment. In Russia, tens of thousands of new hires and existing banking employees of all levels and specializations need to acquire skills and knowledge, which are substantially different from what was a norm under the old system. This massive education and human resource development task is complicated by the fact that the institutional, legal, and regulatory environment of the banking industry is still evolving, and is characterized by macroeconomic instability, ambiguity about property rights, and inflationary pressures (Goldman, 1998). At the same time, the banking sector itself is in a constant flux. Since Gorbachev's reforms in the late 1980s, Russia has witnessed an explosive growth in the number and assets of private banks: in 1993, just 5 years after the creation of a first commercial bank, there were over 1,700 independent banks in Russia (World Bank, 1993, p. 9). However, most of these banks were relatively small, and a high rate of organization turnover is a testimony to turbulence in the industry (The state of the banking industry, 1997).

Western governments, international organizations, and individual public and private institutions have been providing different forms of training for Russian bankers since the early 1990s, mostly through short courses introducing to a different banking culture (Bruck, 1995; Ward, 1993). These activities were paralleled by the proliferation of attempts to transfer Western training and development practices to Russia and the former Soviet republics. Recent years have brought both accounts of successful implementation of Western training and development interventions in Russia and Eastern Europe (Warner & Campbell, 1994) and other reports, filled with cautions against "unfettered passport" for the Western training practices to the former communist countries (Geroy & Carroll, 1994; Robinson, 1992; Varner & Varner, 1994).

The Western-sponsored programs were by no means the only source of banking training: numerous Russian institutions of higher education and professional development began to offer a variety of training and development opportunities in banking-related areas (Zakharov, 1997; IfBG Online). At the time of this study, the system included: Departments of finance at the universities and colleges (preparing mostly entry-level bank employees with undergraduate degrees); specialized finance and banking schools (for example, The Financial Academy in Moscow, The International Finance and Banking School in Moscow, and the Siberian International School of Banking in Novosibirsk); finance programs of the leading business schools (for example, The Moscow International Business School, MIRBIS); the training and development branch of the Association of Russian Banks; programs for the finance executives at the major executive development centers (The Russian Academy of Management, for example); training and development centers of large banks.

After an initial splurge of interest in banking education and training in Russia, in recent years the number of students graduating from various degree programs and short-term professional development courses in banking has dropped significantly (Porshnev, 1997; Zakharov, 1997). This can be explained by three factors: the initial need for basic training in fundamentals of market-oriented banking has been largely satisfied; tightening of overall financial

Copyright © 2000, Alexander Ardichvili & Alexander Gasparishvili

situation in the economy in general and in the banking industry in particular, has lead to the lack of funds available for training and development; finally, many bank executives shared a perception that most providers do not offer practically useful programs, and do not teach skills that could be immediately implemented in the workplace (Zakharov, 1997).

To meet the changing demands of the marketplace, Russian banking-related education, training and development institutions, and Western educators and trainers working in Russia, need to be able to determine current and future needs of their target audience, and tailor their offerings accordingly. Therefore, the first goal of this study was to understand the issues and problems faced by the banking education and training system in Russia, and identify the directions for its future development.

Apart from the above instrumental goal, this study had a broader theoretical objective of understanding the realities of the evolution of workforce education and human resource development systems in industries in transition, and generating recommendations for Western scholars and practitioners attempting to study and influence comparable systems in other settings. To this end, the Russian banking industry provides an especially interesting case study for three reasons: 1) it includes a variety of banking institutions of different sizes and forms of ownership, including those that have existed in the Soviet era, and numerous new private institutions; 2) it has a developed network of education and training institutions, including both state-owned organizations that existed in the Soviet period, and newly created organizations of new types and forms of ownership; 3) the industry is characterized by a high degree of turbulence, which offers additional challenges in conceptualizing and designing new systems of education and training for industry professionals.

Research Questions and Methodology

The study was conducted in January-May 1998. At the preliminary research stage, we have reviewed a wealth of published sources (government statistics, materials published by think tanks, market and financial reports, and articles in business press), to gain a general understanding of the current situation in Russian banking industry and in its human resource education and development institutions, and to collect background information on major Russian banks and training and development organizations. Based on the analysis of these data, we have developed a number of research questions to guide the study. These questions were discussed at a focus group involving twelve bank executives, directors of institutions-providers of education and training services for the banking industry, and academics specializing in HRD issues. The resulting list of research questions looked as follows:

1. How is the HRD function in banks organized and managed?
2. What are the major HR/HRD issues for Russian banks?
3. What are the desired characteristics of successful new hires?
4. What are the types of employee education, training, and development programs for banking industry?
5. What are the perceived future trends in banking education and training?
6. What is the delivery potential of the existing education, training and development institutions, and how to further improve this potential?
7. What are perceived problems and barriers hindering the development of the education, training and development system in Russian banking industry?

Further, the pilot discussions have revealed that there were differences in perceptions between the representatives of the education and training organizations, on the one hand, and the bank executives, on the other; and between the representatives of large and medium-sized banks. This observation prompted us to explore the implications of these perceptual differences, and to collect the data from three groups of respondents: large banks, medium-sized banks, and educational and training institutions.

The primary data collection method was a face-to-face interview. Other methods of collecting expert opinions (mail surveys, phone interviews, Delphi method) were not feasible, given the general unreliability of mail and phone services, and extremely low response rates for mail surveys in Russia (Ardichvili, Cardozo, & Gasparishvili, 1998). Specially trained interviewers from the Center of Sociological Research of the University of Moscow have been interviewing participants in their work places, using a structured interview format, which included both closed-form and open-ended questions. The survey was conducted in six cities: Moscow, St. Petersburg, Ekaterinburg, Voronezh, Saratov, and Stavropol. A total of 70 *banks* participated in this study (35 large and 35 medium-sized banks). Of these, more than 50% (39) were from Moscow. This should not come as a surprise: the concentration of banks and training and development institutions in Moscow is disproportionately high compared to the rest of the country. For example, in 1993, 65% of 20 largest commercial banks of Russia were

located in Moscow, which compares to only one such bank located in the next largest city – St. Petersburg (World Bank, 1993, p. 11). The large banks were selected from the list of 100 largest Russian banks maintained by the information center "Rating" (http://www.most.ru/wintext/rate.htm). These banks all have assets in excess of 1 billion rubles. The medium-sized banks were selected from the Association of Russian Banks list of 200 banks with assets of up to 500 million rubles. In large banks, we interviewed vice presidents responsible for human resource issues; in medium-sized banks--presidents or CEOs.

Our initial plan to conduct random sampling of *training and development institutions* proved to be unrealistic: there was no single source of information from which we could draw a random sample. Consequently, we had to create our own list, using the Internet, phone books, reference publications, and industry journals, and contacting all the institutions that, judging by their names, seemed to be related to education and training in the banking industry. A total of 55 organizations were identified and contacted. Of these, 45 participated. Fifty-four percent of these organizations were state-owned, and 45% were private. In all 45 cases we interviewed top executives: directors or presidents.

Data analysis. The analysis involved both quantitative and qualitative methods. Exploratory data analysis (EDA) was used to examine results and report frequency distributions. The use of this simplified approach is justified in an exploratory study (Howell, 1992). T-tests were used to assess differences between groups of respondents. The results of the statistical analysis were enhanced by the content analysis of the interview transcripts, conducted by two researchers independently.

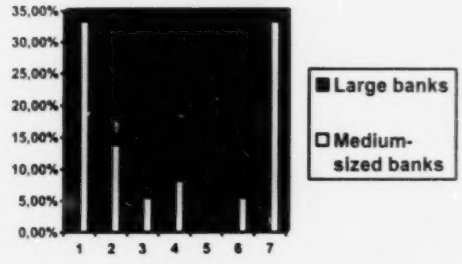
Results

In this section, we present the most important study results. We address the seven research questions, and discuss additional, not anticipated initially findings, generated by the open-ended questions.

How was the HRD function in banks organized and managed? In all banks in this study, HRD was integrated into the HR function, and no distinction existed between HR and HRD. The results showed that training and development activities had a higher priority than organization development (OD) issues: More than 70% of HR departments were engaged in planning of training and development, organizing and managing training, and dealing with the issues of promotion and career development, whereas only 49% of departments dealt with the issues of organizational culture development or organization design (Table 1).

Table 1. Functions performed by HR departments

Function	Percentage of respondents indicating that function was performed by their HR department
Selection and hiring	74.6%
Promotion and career development	83.1%
Organizing and managing training	74.6%
Planning of training and development	71.8%
Performance appraisals	67.6%
Developing the organizational culture	49.3%
Organization design	49.8%



1. Addressing the lack of entry-level specialists
2. Improving quality of current personnel
3. Developing organizational culture
4. Improving the level of current internal training and development efforts
5. Increasing the role of strategic HR/HRD planning
6. Improving work conditions
7. Not sure

Figure 1. What are the banks'major HR/HRD issues?

What were the major HR/HRD issues for Russian banks? The largest issue, as perceived by respondents, was the lack of entry-level specialists of certain professions, and inability of the educational system to meet this demand (Figure 1). Further, only 20% of large banks felt that developing organizational culture was an important issue; medium-sized banks ranked this issue even lower. Finally, only 6% of large banks, and almost none of medium-sized banks considered strategic HR/HRD to be an important issue for them.

Most respondents (97% in both large and medium-sized banks) agreed that students fresh out of college were not ready for the banking industry work (Figure 2). At the same time, 89% of large banks and 81.5% of medium-sized banks believed that 2 or 3 months of on-the-job training were enough to equip the new hires with needed skills. However, there is another important component of new hires' skills and abilities set: psychological readiness to work in this turbulent and high-stress environment. The respondents agreed that virtually none of new college graduates were ready in this respect. There were two ways of addressing the above issue. One approach (that of the majority of the respondents) was to conduct the new hire training and development. In this effort, banks utilized internal groups of industrial and organizational psychologists, and used outside consultants. The focus of this training was on introducing the new hires to bank's organizational culture, and on developing sensitivity to environmental pressures. The rest of respondents (20% of large banks and 25% of medium-sized banks) had a policy of not hiring college graduates, and preferred to attract experienced employees from other organizations. This policy was explained, again, by psychological readiness, and by the banks' inability to train people internally. The HR departments of large banks even had systems of monitoring most promising professionals in the field, and were organizing campaigns of recruiting specialists from smaller banks.

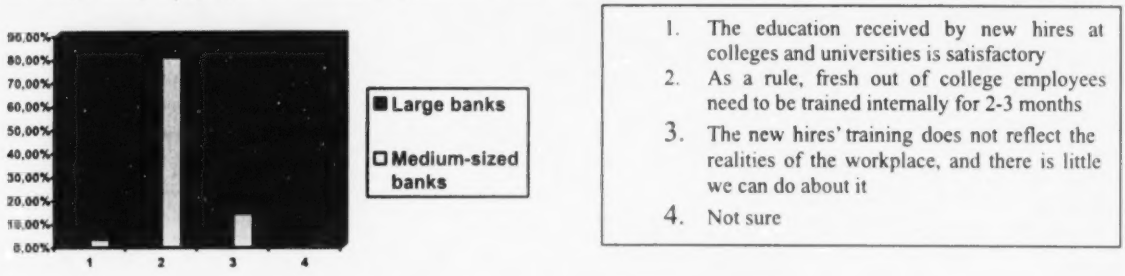


Figure 2. What is the level of readiness of specialists hired fresh out of college/university?

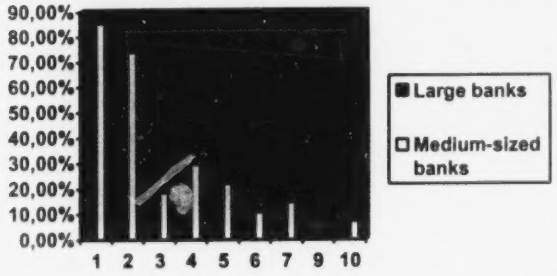
What characteristics of new hires were important? In this area, several similarities and differences between the positions of large and medium-sized banks were found (Figure 3). First, practical work experience was important for both large and medium-sized banks. However, only 62% of large banks considered this to be a first priority, whereas more than 80% of medium-sized banks have put practical experience on top of their list (significant at 0.05).

For large banks, education in theory of banking was the most important factor, followed by practical work experience, and by the knowledge of foreign languages. For medium-sized banks, practical experience was the most important criterion, followed by theory and by strong references. The last finding may be explained by the fact that medium-sized banks did not have systems of assessing the new hires' qualifications and had to rely on strong references instead.

Of special interest to Western HR/HRD practitioners should be our finding that age and sex were mentioned as criteria for hiring. Medium-sized banks seemed to be willing to admit these biases more openly than the large banks. Another important finding was that bank executives were not interested in new hires' future growth potential: large banks gave a slightly higher rating to this criterion, but still only 5% of all respondents have indicated that this was important. Finally, another finding that may come as a surprise to Western HR/HRD professionals is that new hires' psychological characteristics were important to only 20% of large banks, and 6% of medium-sized banks. One possible explanation of this could be the historical legacy of the communist regime, which treated people as parts of a mechanism, not individuals with unique traits and abilities.

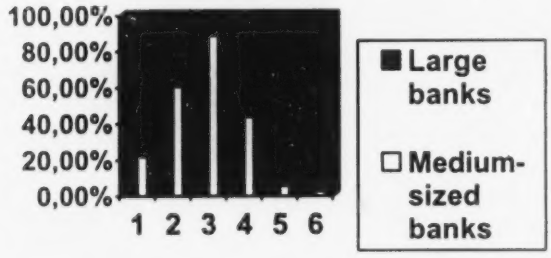
Types of employee development programs. The majority of banks preferred education and training options that minimized time spent away from the workplace: close to 90% of all respondents preferred to send their employees to conferences and seminars, and 78% of large banks and 60% of medium-sized banks were willing to pay for evening degree programs at colleges and universities (Figure 4).

An indication of the technological progress made by Russian education and training institutions in recent years was that 43% of medium-sized banks used electronic media (CD-ROMs and Internet) to deliver in-house, on-the-job training. Contrary to our expectations, only 16% of large banks used these technologies.



1. Practical work experience
2. Education in theoretical foundations of the banking industry
3. Knowledge of related fields
4. Strong recommendations
5. Knowledge of foreign languages
6. Age
7. Sex
9. Future growth potential
10. Personal characteristics

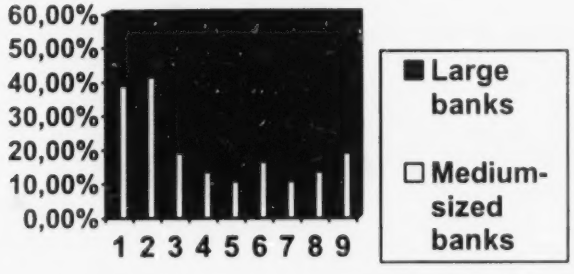
Figure 3. Which characteristics of job candidates are most important in hiring decisions?



1. Full-time degree programs
2. Evening and part-time degree programs
3. Participation in seminars and conferences
4. Online and CD-ROM training in the workplace
5. Internal instructor-delivered training
6. Short-term off-site training courses delivered by outside providers

Figure 4. What are the most important forms of education, training and development used by banks? (Respondents were asked to select three most important forms)

What types of education and training providers were used by the banks? Under this rubric, two findings deserve special attention. First, state-owned institutions seemed to command higher respect and trust: more respondents were willing to work with these institutions than with private institutions. Second, more than 30% of large banks and about 20% of medium-sized banks had internal centers or departments of employee development (Figure 5).



1. Public universities
2. Professional development schools associated with public universities
3. Business schools run by the public universities
4. Business development centers run by public universities
5. State-owned institutes for professional development
6. Private colleges and/or universities
7. Private business development centers
8. Private schools of business
9. Internal centers or departments of T&D

Figure 5. Which education and training providers are used by your banks?

Preferences for future forms of education and training. The answers to this question indicate, again, a strong preference for working with Russian state-owned institutions, and point out two other future trends: a strong preference for degree programs, and a trend towards the internalization of employee development. Content analysis of additional comments made by respondents suggests that one of the reasons for the trend toward internalization

BEST COPY AVAILABLE

was a general perception that banks were not getting a good value on the open market (the price of outside non-degree programs was high), combined with banks' reluctance to allow their employees to spend substantial time in off-work training.

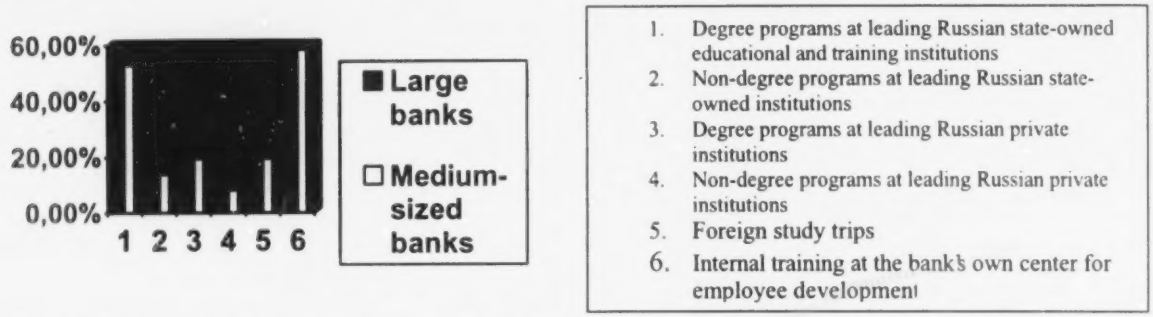

60,00%
40,00%
20,00%
0,00%
1 2 3 4 5 6
Large banks
Medium-sized banks
1. Degree programs at leading Russian state-owned educational and training institutions
2. Non-degree programs at leading Russian state-owned institutions
3. Degree programs at leading Russian private institutions
4. Non-degree programs at leading Russian private institutions
5. Foreign study trips
6. Internal training at the bank's own center for employee development

Figure 6. What forms of education and development would the banks prefer to use in the future?

What was the delivery potential of the education, training and development institutions? What were the perceived problems and barriers hindering the development of the education, training and development system in the Russian banking industry? The majority of respondents believed that one of the important barriers for the development of the system was turbulence in the industry: 91.5% of bankers and 100% of educators characterized the situation as highly turbulent, or transitioning from a turbulent stage to a more stable one. Both groups also agreed on top three major barriers for the development of banking industry and the related education and training system in Russia: economic instability (70.4% for banks, and 76.9% for educators), political instability (53.5% and 53.8% respectively), and inadequate legal system (54.9% and 69.2%).

Further, we asked *directors of educational institutions* how often they were updating their programs. The respondents indicated that, given the turbulent state of the industry, updates once a year were necessary to keep up with all the changes. However, only 53.8% of respondents indicated that they were updating programs every year, and 23.1% - once every two years. A logical continuation of the above line of inquiry was a question about the relationship between the curriculum and practical needs of the field. A direct question about this relationship would not have yielded useful information. Instead, we opted for asking about the level of practical experience of the faculty. The majority of respondents (61.5%) indicated that only about 10% of the faculty members in their institutions had practical experience. One of the reasons for the lack of faculty with practical experience and ties to the industry could be difficulty with recruiting qualified new faculty. When asked whether they had problems with recruiting qualified new faculty, 15.4% of respondent indicated that: they had these problems, since there are very few qualified faculty candidates available, and 61.5% had these problems because they could not offer compensation competitive with the private industry levels.

Conclusions and Implications

Implications for understanding international HRD theory and practice. The study results point out the following areas where the conceptualization of HRD may be different in the U.S. and in other countries: a) the place of HRD in larger systems and the relative importance of HRD and other HR-related issues; b) HRD as a part of a larger education and development system; c) the importance of long-term HR and HRD strategies and activities versus short-term results orientation; d) internalization of training and development versus outsourcing.

a) Study participants (the industry executives and the educational leaders alike) were not regarding HRD as a function in its own right. In all 70 banking organizations in this study, HRD was performed by HR departments (called "personnel departments" in Russia); in many cases, training and development was conducted by the same people who perform other HR activities (selection, recruiting, compensation and benefits, etc.). This observation corresponds to the results of our earlier survey of 256 Russian manufacturing and service companies (Ardichvili et. al., 1998), which suggests that this phenomenon may not be specific to just the banking industry.

Discussing the relative importance of different HR and HRD issues, it is interesting to compare our findings with the results of a study conducted by Towers Perrin (1992) in Western Europe, North America, Asia Pacific, and Latin America. The Towers Perrin study provided rankings of top 5 HR goals necessary for business success in the year 2000, as perceived by HR executives. The comparison of our findings with the Towers Perrin

results shows that HR/HRD priorities in today's Russia are different in many respects from those of countries in other regions of the world. For example, the linkage of HR to business strategy was ranked high (goal number 1 or 2) in most countries in Towers Perrin sample. In the U.S., the idea that HRD should play an important role in organizational strategy development is gaining strong support both among academics and practitioners (Torraco & Swanson, 1995). Our study has demonstrated that this is not the case in Russia, at least in the banking industry: for Russian banks increasing the strategic role of HR/HRD had a low priority. Further, training and development was not mentioned as one of 5 priority goals by any of the Towers Perrin participants, except for Japan (in this country, it received a low ranking of 5). In our study, the participants have given a medium to high importance to training and development. There were also some striking similarities in responses between the two studies. In the Towers Perrin study, developing a strong organizational culture has received, overall, a medium to low ranking (from 3 to 5 for most countries; and not mentioned at all by any of the European or North American countries, with the exception of France). In our study, the development of the organizational culture and organization design has received much lower ranking than such issues as selection, hiring, promotion, and career development.

b) The study participants repeatedly referred to education and training of their employees as part of a "system." When talking about the inability of the "system" to address the lack of qualified personnel, they were not making a distinction between colleges providing education for entry entry-level employees, and those providing later professional development services. The implication for Western HR/HRD professionals is that attempts to understand any part of Russian business and industry-based training and development system in isolation from the larger education system may be even more dangerous, than ignoring these systemic relationships in other settings, where the perceptual link between the elements of the system is not as direct.

c) Russian banks were putting a strong emphasis on selection and recruitment, while paying less attention to continuous improvement of employees' skills, or assisting them in realizing their long-term growth potential. This could be related to the general perception of high turbulence in the industry and economy, the need to achieve fast, immediate results, and reluctance to invest for the long term. This finding has an important implication for any attempts by Western organizations to provide HRD assistance to Russian banks: if Russian organizations are not concerned with their employees' future potential and growth, will they invest in long-term learning programs and/or organization development interventions? And will they be ready to espouse the organizational learning paradigm, which requires long-term commitment on the part of both employers and employees?

d) Many participants in this study had a strong preference for internalization of employee development, through creation of own employee development centers. In the U.S., the recent explosive growth of corporate universities (an evidence of internalization trend) was accompanied by a trend in many other companies towards outsourcing the training function (Bassi, Cheney, & van Buren, 1997; Training Director's Forum, 1996). If supported by research in other industries, our findings about internalization would suggest that Western educators and consultants may need to shift their focus from developing joint programs exclusively with Russian educational and training institutions (which has been the predominant mode of entry into Russian education and HRD market so far), and explore the options of working directly with larger business institutions, assisting them in creating corporate universities and training centers. Further, the study has demonstrated that government-owned institutions commanded higher respect among bankers. An implication of this finding is that Western HRD professionals and academics need to be very selective in identifying partners in Russia: a private institution may have sufficient financial resources, but may not have the level of credibility necessary for the success of specific educational and research efforts.

Implications for the development of education and training systems in industries in transition. The study has demonstrated that the issues and processes of education and training within a legal and organizational framework undergoing radical transformation, are substantially different from those existing in more stable environments. Given the evolving nature of the banking sector and its environment, the models of education and training developed for established frameworks, are not likely to apply. For example, structuring a loan contract should take a place within a well-defined legal framework. In Russia, laws governing business transactions (corporate law or commercial code) are still not well articulated, and are subject to frequent changes. Therefore, credit and loan training would need to concern itself with the evolving nature of contracts and constantly changing government regulations in this area. A major implication of this is that both the higher education institutions, and the industry employee development systems need to be highly flexible and able to accommodate frequent updates to the curriculum. In this situation, a modular approach is likely to work the best: a program of core skills, likely to remain relatively constant, could be introduced for all levels of employees. These skills can be complemented by a set of "pick-and-choose" modules available for building more organization-specific programs. Finally, the modules need to be flexible enough in their design to allow for frequent updates triggered by changes in regulations, macroeconomic conditions, and the banking sector dynamics.

This study has pointed out another challenge for education and training institutions in a transitional economy: the lack of qualified faculty with practical work experience. This should be regarded as a serious problem: when the environment is changing fast, the faculty members' ability to stay current on the industry developments becomes even more important than in more stable environments.

Future research directions. The study suggests the need for further exploration of differences in importance of HRD and HR activities and related goals for organizations in different countries. It would be important to trace these differences in priorities to specific socio-political, organizational, and cultural frameworks (Aycan et al., 1999; Hofstede, 1997; Triandis, 1993). Another promising direction of research would be an exploration of the evolution of workforce education and training systems in select industries in a number of countries. Concentrating on specific industries would allow us to control for industry effects, while helping to determine the role of national culture and socio-political climate in systems'evolution.

A related research suggestion is to conduct studies in other key industries of the Russian economy, to determine whether the findings of this study are idiosyncratic to the banking industry. The proposed studies should address, as a minimum, the following issues: the place of HRD in larger enterprise management systems and the relative importance of HRD and other HR-related issues; HRD as a part of larger education and development system; the perceptions of the importance of long-term HR and HRD strategies and activities versus short-term results orientation; preference for internalization versus outsourcing. On cross-national level, a comparison with the U.S. and a number of other countries could be performed to determine whether the outsourcing versus internalization trends show industry patterns across countries.

Further, our study has demonstrated that the need for organization culture and organization design work arises with the size: large banks mention this as an important issue much more often then the medium-sized banks. We need to explore the stages of growth implications of this finding: When does the need for OD interventions arise, and is there a pattern and sequence in development of this need? This line of investigation should be pursued both in Russian organizations, and in comparative studies involving other countries, and build on existing studies of organization growth and related changes in HRD/OD needs (Churchill & Lewis, 1983; Greiner, 1972).

Switching our attention from research questions to the issues of methodology, we should point out that the study helped to identify an important problem associated with studying HRD issues in transitional economies: an extreme volatility of phenomena under study. In transitional economies, the HRD systems themselves, and the surrounding economic and political environments change so fast that the approach used in most international research— analyzing the phenomenon at a particular point in time— may not work. The research should, instead, concentrate on the "cascade of changes"(Kanter et. al., 1992), and involve longitudinal research.

Finally, we believe that it is important to involve Russian HRD scholars in all proposed studies for two major reasons. First, the involvement of country experts helps to avoid numerous methodological problems with equivalency and validity of research questions, instruments, and procedures (Teagarden et. al. 1995). Second, the ensuing research dialog will facilitate the development of HRD knowledge and practice in Russia, by allowing Russian colleagues to examine their own assumptions and believes, while comparing these assumptions to those held by the Westerners. This approach to learning and sharing expertise helps to avoid numerous problems associated with the direct knowledge transfer approaches.

References

Anonymous, (1996). Use of contract trainers, designers now strategic tool for training leaders. Training Directors'Forum Newsletter, 12(9): 1-2

Ardichvili, A., Cardozo, R.N., & Gasparishvili, A. (1998). Leadership styles and management practices of Russian entrepreneurs: The implications for transferability of Western organization development and training interventions. Human Resource Development Quarterly, 9(2): 145-156.

Aycan, Z., Kanungo, R., & Sinha, J. (1999). Organizational culture and human resource management practices: The model of culture fit. Journal of Cross-Cultural Psychology, 30(4): 501-526.

Bassi, L., Cheney, S., & van Buren, M. (1997). Training industry trends 1997. Training & Development, 51(11): 46-59.

Bruck, N. (1995). Banking and investment financing. Volumes 1-4. EDI Working Papers, The World Bank: Washington, D.C.

Geroy, G. D., & Carroll, J. (1994). Helping or hindering : Should Western OD have an unfettered passport to the CIS? Human Resource Development Quarterly, 5(3): 281-284.

Goldman, M. (1998). The Russian ruble and why it collapsed. Challenge, 41(6): 9-10.

Churchill, N.C., & Lewis, V.L. (1983). Growing concerns. Harvard Business Review, 61(3): 30-50.

Greiner, L. E. (1972). Evolution and revolution as organizations grow. Harvard Business Review, 50 (4): 37-46.

IfBG Online. The banks of the world: Russian banks. http://www.gwdg.de/ ~ifbg/beur_rus.htm

Hofstede, G. (1997). Cultures and organizations: Software of the mind. New York: McGraw-Hill.

Howell, D. (1992). Statistical methods in psychology. Belmont, CA: Duxbury Press.

Kanter, R., Stein, B., & Jick, T. (1992). The challenge of organizational change: How companies experience it and leaders guide it. NY: The Free Press.

Porshnev, A. (1997). Bank management: A topical problem. Dengi I Kredit, 4: 29-31.

Prokopenko, J. (1998). Management development: A guide for the profession. Geneva: ILO.

Robinson, D. (1992). Worldwide consultants cash in on chaos in Russia. Journal of Commerce and Commercial, 392(27722), 1A-1B.

Russia: The banking system during transition. (1993). World Bank, Washington, D.C.

Shuraev, G. (1997). On the dual system of training experts for the Bank of Russia. Dengi I Kredit, 5: 52-54.

Tarakanova, I. (1997). On the use of foreign experience in the staff training for the Bank of Russia. Dengi I Kredit, 5: 55-60.

The state of banking industry (1997). Expert, 32: 10-16.

Teagarden, M. B. et al. (1995). Toward a theory of comparative management research: An idiographic case study of the best international human resources management projects. Academy of Management Journal, 38(5): 1261-1287.

Torraco, R., & Swanson, R. (1995). The strategic roles of human resource development. Human Resource Planning, 18(4): 11-21.

Towers Perrin (1992). Priorities for competitive advantage: A worldwide human resource study. Chicago: Towers Perrin.

Triandis, H. (1993). The Contingency model in cross-cultural perspective. In M. M. Chemers & R. Ayman (Eds.), Leadership Theory and Research: Perspectives and Directions (pp.167-188).

Varner, I. I., & Varner, C. (1994). A culture-based framework for successful business training in Russia. Human Resource Development Quarterly, 5(4): 361-370.

Warner, M., and Campbell, A. (1994). How Russian managers learn. Journal of General Management, 19(4): 69-89.

Ward, M. E. (1993). Banking and financial management training program: Training handbooks. Volumes 1-3. EDI Working Papers. The World Bank: Washington, D.C.

Zakharov, V. (1997). Training personnel for Russian commercial banks. Dengi I Kredit, 4: 26-29.

High Performance and Human Resource Characteristics of Successful Small Manufacturing and Processing Companies

William R. Venable
Oklahoma State University

The author interviewed executives from 31 successful small manufacturing companies in Oklahoma for the purpose of identifying, among other things, their perceptions of high performance and other human resource related characteristics in their organizations. Analysis of the transcripts and observations of the workers led to conclusions . The shared high performance work practices were training, compensation and benefit packages, and selective staffing. Related practices included tuition reimbursement and sponsored activities. Human resource characteristics included low turnover and fair treatment.

Keywords: High Performance Characteristics, Human Resource Characteristics, Exporting Companies

This is a descriptive study about the high performance and other human resource related characteristics of successful small manufacturing and processing companies in Oklahoma which export a portion of their products to other countries. It consists of an exploratory survey conducted through formal face-to-face interviews which were audiotaped, transcribed, and analyzed. The survey is one phase of a research project which hopes to contribute to the identification of appropriate interventions for enhancing high performance work practices in small American and foreign companies which conduct business internationally.

The research problem is that, while small companies comprise the largest and an ever increasing proportion of the US economy, and a great many of them manufacture and/or process products, increasingly for the international marketplace, there is little reliable information available about whether or how the successful ones carry out high performance or other related human resource practices.

The data available have been incomplete. They have been gathered in so many ways and by such varying categories as to make them difficult to compare. And relatively less information has been broadly accumulated about small manufacturing companies than about the Fortune 100 related to exportation and human resource related characteristics, including high performance practices.

Overview of the Literature

There is substantial literature related to high performance work practices in the US. The future of competitiveness for the US company is related to how well its workers are trained, how flexible and adaptable they are, and whether it is a high performance workplace. (Potter & Youngman, 1995). America's management paradigm has shifted to provide employees greater opportunity to influence the outcomes of work organizations. Through changes in the design of work and a renewed emphasis on the importance of training and development, selective staffing, compensation, and information sharing, management has begun to realize the effect workers can have on the attainment of organizational goals (Levine, 1995).

High performance work practices assist people to involve themselves in the decision making and problem solving processes of their work activities. Based on an analysis of previous research, some of the most frequently implemented high performance work practices are quality circles, work teams, job rotation, total quality management, crosstraining, employee committees, training and development, selective staffing, compensation, and information sharing (Young, Snell, Dean & Lepak, 1996; Marlow, 1998).

By allowing workers to influence their work activities, organizations can take competitive advantage of the human element. Creating high performance work environments which fulfill human, social, and psychological needs allows organizations to reap the benefits of increased productivity, product quality inovation, and flexibility (Schutz, 1994; Mirvis, 1993; Marlow, 1998.)

Copyright © 2000, William R. Venable

Small businesses have always comprised the preponderance of the economy in the US and throughout the world. The inception of the North American Free Trade Agreement (NAFTA) may have provided an additional incentive for American manufacturing and processing companies to export. And companies located in states near Mexico or Canada may be more likely to export than those located further from the borders. Finally, successful companies provide information which is more likely be emulated or adapted for increasing success in other companies. These factors have led to the identification of this target population as successful small manufacturing and processing companies which export from a southwestern state.

Purpose of the Study

The purpose of the study is to identify perceptions of successful small manufacturing and processing executives about the high performance work practices and other human resource related characteristics of their companies in the State of Oklahoma.

Research Questions

What are the perceptions of successful small manufacturing and processing executives about the high performance work practices of their companies?

What are the perceptions of these executives about the human resource related characteristics of their companies?

What are the perceptions of these executives about the export related characteristics of their companies?

Research Methodology

The methodology for the study was the conduct and qualitative analysis of interviews with top managers of small manufacturing companies which export. Transcripts of the interviews were reviewed through unstructured textual analysis. Qualities of similarity, frequency, and proximity, range of participant sources, and clarity of themes, thoughts, phrases and words were identified, sorted, and compared.

Interview Guide

A formal interview guide was developed from the feedback of subject matter experts. These experts were economists, academics, consultants, writers, and business leaders who were experienced with small manufacturing companies which export. The guide includes descriptive questions about high performance work practices, human resources, exportation, and NAFTA.

Selection of Manufacturing Companies

Interviews were conducted with one executive from each of 31 approximately 50-500 employee-based manufacturing or processing companies, or similar sized divisions of larger companies, which exported products. These were the companies which agreed to the interviews out of a population of 40 "successful" companies which had responded to a preceding mailed questionnaire sent to the entire population of 242 small manufacturers and processors in the state (1997 Oklahoma Directory of Manufacturers and Processors).

"Success" was defined as having demonstrated a profit for each of the preceding five consecutive years, and having had virtually no employee layoffs during the same period of time. Forty of the 86 companies providing usable responses to the preceding questionnaire qualified as successful under these criteria.

A wide range of industries representative of the manufacturing and processing sector across Oklahoma was incorporated into the interviews. These included, among others, sound speakers, office supply forms, technical publications, energy resource exploration, petrochemicals, food chemicals, food processing, chemical textiles, metal forging, metal alloys, wire manufacturing, tool and dye making, electrical measurement devices, heating and air

conditioning products, aerospace manufacturing, small parts manufacturing, commercial furniture, and components for commercial construction.

Procedures

Interviews were carried out by one interviewer and one recorder who audiotaped each interview with two mini cassette recorders and took written notes of verbal and nonverbal responses by interviewees. The interviewer and recorder discussed and compared their impressions of each interview at its conclusion. Each interview was followed by a tour of the facility which included an observation of production processes and of worker performance and interactions. This was followed by the development of a narrative of overall impressions about the company.

Audiotapes were transcribed verbatim on disc and hard copy by a transcriptionist who was trained by the interviewer to attend to the idiosyncratic aspects of these particular interviews. Transcripts were reviewed and checked against notes, and corrected with the audiotape where indicated.

Results

All except three of the 31 participating successful companies included an identifiable human resource function in the local plant. Most had at least one full time person, and the larger companies tended to have more people. The staff sizes ranged from one part time person to eight full time members.

The high performance work practices which the study sought out were training, job rotation, crosstraining, work teams, quality circles, employee committees, total quality management, information sharing, selective staffing, and compensation. There was great variation among compaies in the number, combination, and relative investment in these practices.

Virtually all companies provided training to their employees. They used mostly internal technical training and internal and external management development. Several specified problem solving skill training for workers and managers. Several also collaborated with local vocational-technical school to provide or to expand technical and computer related training opportunities to their employees. Only four plants specifically identified crosstraining as one of their high performance strategies. Job rotation was, surprisingly, only mentioned by one firm.

One company said that, after the implementation of work teams, its profitability had doubled. It regularly assigned potentially high performers to cross disciplinary teams which were given specific organizational or technical problems to resolve. Members worked together part time on their project while continuing in their regular positions. Surprisingly, only one other plant stated that they incorporated team building activities.

Very few firms made reference to some variation of employee committees. Not a single company identified quality circles as a specific strategy. Total quality management was discussed in some detail by three plants. This was unexpected in light of the great popularity of this strategy only a few years ago.

Regarding information sharing, one company characterized itself as "open book", that it shared its profit and loss and all other figures with all employees. Several other plants discussed the importance of openness with information and communication as the basis for mutual trust.

Selective staffing was given high priority in numerous companies. The importance of hiring persons with appropriate technical skills and positive work ethics was emphasized. One plant conducted extensive testing of potential employees. Several others screened for potential permanent employees by doing initial hiring through temporary employment agencies and selecting from the 'temps". Two firms stressed the value of efforts devoted to the retention of desirable workers.

Nearly all companies recognized the importance of providing competitive wages in order to attract and retain the best employees. Pay ranges varied from a low of minimum wage to $9 per hour in a component design and assembly plant to a high of $10.50 per hour for receptionists to $26 per hour for maintenance mechanics at a chemical facility.

The latter paid very high wages for its location, but seemed more than willing to do so in exchange for the opportunity to hire the best workers available. And the former claimed to be sufficiently competitive in its area because of additional forms of compensation. In fact, it cited several workers who had left for moderate wage increases elsewhere but had returned because of other benefits. Variations of compensation included profit sharing, a profit bonus pool, merit increases, and bonuses for exceeding production quotas and for perfect attendance.

Other related practices of these successful small manufacturing companies included, in descending order of frequency, tuition reimbursement for additional education, on the job training, sponsored social activities, various

forms of employee recognition, the conduct of performance evaluations, and conscious efforts to incorporate fun and enjoyment into the workplace environment.

Human resource related characteristics of these successful plants, also in descending order, were low turnover, an emphasis upon fairness, the presence of an employee assistance program, an orientation toward the needs of employee families, the completion of requirements for the ISO 9000 Certificate, and the presence of an employee wellness program.

Low turnover proved to be a remarkably consistent statistic. Most of these companies identified their turnover rates as at or below six percent. Some were below one percent, with one claiming that 34 percent of its employees had reached perfect attendance records over an entire year. Only three plants identified turnover rates of 10 percent or higher.

An emphasis on fairness was stated in a variety of ways. Comments included references to trust, honesty, diversity in employee demographics, openness, ethical conduct, and the golden rule. Statements about "family orientation" took various forms, including regular activities designed for employee family participation, team sports, occasional special events, and sensitivity to the scheduling needs of employees and their families.

While all of these companies exported to other countries, most of them exported a relatively limited proportion of their products, which they considered to be less important than their focus upon manufacturing and/or processing products for the US market. Most of them were not aggressively seeking an expansion of their international clientele, and only a limited number were making modifications to their processes or products for that market. Many simply responded to specific requests for their products from international customers.

Conclusions

These successful small manufacturing companies do not incorporate the classic high performance work practices at levels anywhere near those of their larger counterparts. Some of them pay astonishingly low entry level wages, a few beginning at the minimum legal wage. And some of them are dark, noisy, or grimy places to work, with limited climate control, due to the nature of the machinery or production procedures in place.

They all seem to have at least one factor in their favor. They may pay higher wages than the competition. Or, they may provide one of a limited number of employment opportunities in an otherwise desirable locale. Or, they may offer a relatively clean and/or safe environment in which to work. Or, they may offer benefits in excess of the competition.

The plant tours and performance observations indicated that for the most part, they seemed to share a psychological climate in which managers and workers communicated in a relaxed, collegial way. There appeared to be a continuous effort to improve the processes and the products, and a collaborative approach to carrying it out, between and among managers and workers. People seemed to feel valued, and to like the work and the workplace.

The most commonly shared high performance work practices among these companies were various forms of training and development, compensation and benefit packages, and selective staffing. This pattern proved to be remarkably consistent with the emphasis placed by Levine (1995) upon the importance of these particular high performance work practices.

Of the related human resource practices, the most frequent were tuition reimbursement for continuing education and company sponsored activities for employees and their families. Among the human resource related characteristics, the most prominent by far were low employee turnover and the sense of fair treatment.

Recommendations

To the extent that these 31 small manufacturing and processing plants in Oklahoma may be representative of other small companies, the following recommendations are offered for organizational success.

1. Select employees carefully. Identify a match between the employee's skills or skill development potential and the needs of the company. Also look for a fit between the employee's work ethic and that of the company and other employees.
2. Invest in training, continuing education, and employee development opportunities in order to increase employee current and future professional and personal value.
3. Retain employees by providing them with compensation and benefit packages which are superior to the competition.

4. Empower employees by treating them as colleagues, sharing information openly, engaging them in problem solving, and sharing profits with them.
5. Honor employees by modeling fair and ethical behavior and recognizing and rewarding them for their contributions.

The companies interviewed and observed in this study demonstrate that the specific mechanisms implemented in order to create a more successful company are not as important as that they contribute to the continuous growth of the human resources individually and together within the organization.

References

Levine, D.I. (1995). *Reinventing the workplace: How business and employees can both win.* Washington, D.C.: The Brookings Institution.

Marlow, R. (1998). *High performance work practices in small manufacturing and processing Organizations which export.* Unpublished Master's Thesis, Oklahoma State University.

Mirvis, P.H. *Building the competitive workforce: Investing in human capital for corporate success.*New York: John Wiley & Sons, Inc.

Potter, E. & Youngman, J. (1995). *Keeping America competitive: Employment policies for the Twenty-First Century.* Lakewood, CO: Glenbridge Publishing, Ltd.

Schutz, W. (1994). *The human element: Productivity, self-esteem and the bottom line.* San Francisco: Jossey-Bass Publishers.

Youndt, M., Snell, S., Dean, J., Jr., & Lepak, D. (1996). Human resource management, manufacturing strategy, and firm performance. *Academy of Management Journal* 39(4), 836-866.

HR Involvement Decisions and Strategies in Mergers and Acquisitions: Four Organizational Portraits

C. Carol Anthony
WorkLife Learning Systems

Laurel S. Jeris
University of St. Francis

James R. Johnson
WorkLife Learning Systems

Although the financial and strategic aspects of mergers and acquisitions are well researched, little has been done on the human resource development implications of this popular topic. The purpose of this case study research project was to explore the timing and scope of HRD involvement in four organizations recently involved in a merger or acquisition, by using three theoretical models as lenses. The results have far reaching implications for both practitioners and academics.

Keywords: Mergers and Acquisitions, Strategic HRD, HRD Decision Making

The strategic and financial performance implications of mergers and acquisitions are a popular and well-researched topic within the literatures specific to those interests. However, studies of the point at which strategic human resource issues enter into the decisions to merge, acquire, or be acquired, and the subsequent human resource management decisions remain an illusive subject in mainstream journals read by HRD academics and practitioners. In a brief historical recap of merger and acquisition activity, Hitt, Harrison, Ireland, and Best (1998) noted that, "acquisition activity began to increase in 1992 and 1993 with more dollars invested in acquisitions during 1994, 1995, and 1996 than any previous year" (p. 91). Lipin (1997), found that in 1996 alone, over $1 trillion was spent on acquisitions globally with $660 billion in the USA. Thomson Financial Securities Data (KPMG, 1999, online) estimates the annual global merger and acquisitions transactions tab at more that $2.2 trillion. These figures represent purchases and stock transfers but do not include the costs of displaced workers, training expenditures, reinvention or total replacement of information systems, or the myriad of costs associated with mergers and acquisitions that impact any value created by them. Given the financial magnitude of these decisions and the subsequent effects that mergers and acquisitions have on people's careers, this topic warrants close examination by the HRD research community.

There are few if any phases of organizational life requiring the intense amount of organization-wide decision making that occurs around mergers and acquisitions. The relatively short time frame within which these decisions take place affords an excellent research opportunity to capture and study the multiple inputs to these decisions. This study examines four diverse organizations that have just completed, or are in the immediate post-decision phase of a merger or acquisition. The foci of these organizational portraits are the timing and scope of decision making related to retention, deployment, and utilization of human resources immediately before, during, and immediately after the merger or acquisition decisions.

Problem Statement and Research Questions

In a recent study, Hitt et al. (1998) posited three theoretical rationales for considering and executing a merger or acquisition to increase the firm's performance. They are:

1. The merged firm achieves greater market power through increased market share or multipoint competition.
2. The merged firm gains economies of scale and/or scope by combining complementary capabilities of the two firms.
3. The merged firm can access capital at lower costs. (p. 93)

Copyright © 2000, Anthony, Jeris, & Johnson

These propositions guided the selection of the research sites. Additional studies that examined larger samples (Haspeslagh & Jemison, 1991; Healy, Palepu, & Ruback, 1997; KPMG, 1999), and posited relationships between the degree (and timing) of attention to strategic human resource issues and the goals noted above, provided the foundation for the following research questions:

1. At what point in the overall decision to (merge, acquire, or be acquired) did the consideration of the retention, deployment, and utilization of the pre- and post-decision workforces become inputs?

2. In relation to the influence of other decision criteria (financial, geographic, new technologies etc.), what was the relative weight of human resource issues as a decision input.

3. To what extent are the indications of the expected performance of the new firm positively related to early and significant attention to human resource issues?

4. To what extent will "Lessons Learned" to date in relation to human resources issues be generalized to future merger and acquisition decisions?

Research Sites and Transaction Phase

Bimba Manufacturing Company: Post-Acquisition

A market leader in its field, Bimba (Chicago area corporate headquarters) manufactures pneumatic and electro/pneumatic actuators in North America. It is recognized worldwide as a leading actuator company. It has over 100 domestic and international distributors and over 500 associates. Bimba recently was able to expand their product line through the acquisition of a small manufacturing facility with a 40-member workforce in Rockford, IL. Retention of the highly specialized and trained workforce was critical to the capacity of this acquisition to create value.

Focus Wireless Communications (FWC), formerly, Cellular Wholesalers, Inc (CWI): Mid-decision to early implementation

Through being acquired by Focus Wireless Communications (FWC), CWI is moving from traditional distribution of wireless communication products (cell phones, pagers) to e-commerce (a growing capability of FWC). FWC is headquartered in Lincolnshire, IL and employs 80 people. Its pre-acquisition revenue was about $80 million. FWC post acquisition revenues are forecasted to exceed $110 million and the company employs 125 people in three primary locations. There is some duplication in the sales force post-acquisition but business lines are distinct and unique to the pre-acquisition organizational strategic capabilities.

DSM Desotech: Post-Acquisition

This company operates as a business unit of DSM Resins (Dutch State Mining) headquartered in Zwolle, The Netherlands. It is the world's leading manufacturer and supplier of protective UV curable coatings for glass optical fibers and optical cables. DSM Desotech, headquartered in Elgin, IL, employs approximately 190 people in the US and 60 in the Netherlands. More than one-third of these is technical staff. DSM Desotech has been granted more than 70 US patents related to UV/EB curable technology. Desotech recently acquired Somos, a laser-based technology company. This state-of-the-art company employed 22 highly specialized, highly skilled professional staff, all of whom were retained.

BankOne: Corporation Post-Acquisition

Headquartered in Chicago, BankOne employs approximately 95,000 people and has about $250 billion in assets. Its offices are located throughout the Midwest and Southwest and the primary business lines are retail banking, credit card services, consumer finance, commercial banking, and investment management. Merger with First ChicagoNBD is representative of the overall consolidation occurring within the financial services sector. Although this was considered a merger of equals, key strategic capability transfers were in the area of highly successful

customer focus from First Chicago NBD and general management expertise, economies of scale, and greater market share from BankOne.

Theoretical Framework

This study draws on three primary theoretical frames, the *process perspective* (Haspeslagh & Jemison, 1991), the *attributes-as-predictors-of-success* perspective (Hitt, et al., 1998) and *Hard* and *Soft Keys* as described in an analysis of over 700 of the top cross border deals conducted between 1996 and 1998 (KPMG, 1999). Each of these frameworks is described below.

According to Haspeslagh and Jemison (1991), the process perspective "retains the important role of issues of strategic fit and organizational fit, but it adds the consideration of how aspects of the acquisition decision making and integration processes can affect the final outcome" (p. 306). This perspective combines the strategic and organizational behavior research streams in an effort to discover new insights about the growing capital redistribution and potential value creation phenomena. Mace and Montgomery (1962) laid the foundation for this perspective and acknowledged that:

> A central feature of Jemison and Haspeslagh's (1998), research is their interactive model of acquisition integration approaches and integration process issues. This model categorizes the strategic goals for the acquisition or merger along the dimensions of absorption, symbiosis, or preservation and permits the examination of how expectations, leadership, and boundaries are managed and reformulated during and immediately after the decision. (p.157)

Low interdependence and high autonomy characterize the preservation approach. It is the approach of choice when the objective of the acquisition is to keep the acquired company distinct and independent from the acquiring organization. Haspeslagh and Jemison found that many of these acquisitions had a "nurturing quality" with great effort and resources expended to retain and then transfer strategic capability. This evolutionary approach is particularly desirable when the acquiring firm is moving into a new domain (p. 159).

The absorption approach requires a high degree of interdependence and a low degree of autonomy with the ultimate goal of complete consolidation of both organizations. Timing of the integration process is critical to the success of the absorption approach. Haspeslagh and Jemison noted, "A useful rule of thumb is such situations is 'move as fast as possible'. . . . The benefits of waiting for extra information are limited and the costs of inaction are high, because postponing foreseeable rationalizations will prolong uncertainty" (p. 158). Performance problems and high turnover (of the most talented organizational members) are the predictable outcomes of uncertainty.

Considered the most challenging approach because of the desire for both high autonomy and high strategic interdependence, the symbiotic acquisition strives to create an amalgamated organization with "each firm taking on the original qualities of the other" (p. 149). Unlike the absorption approach, speed in the integration process can spell disaster. Research findings indicate that the most successful symbiotic acquisitions occur when, "the acquired company itself changes its own organizational practices to adapt to the new situation" (p. 149).

These three types of integration approaches as described above provided the central organizing elements for this study along with indicators of success and predictors of failure identified in several other studies summarized below.

Hitt et al. (1998), in a study of 24 acquisitions, provided strong empirical support for organizational attributes that affect post-acquisition performance. The authors noted that, "findings both supported and contradicted commonly held beliefs about acquisitions, as well as highlighted variables not typically associated with acquisition strategies" (p. 91). Attributes of successful acquisitions were found to be: complementarities that built on exiting capabilities, friendly relations between the joining firms, low to moderate debt, deep experience with change initiatives, emphasis and skill in innovating, selection of acquisition targets that would support continued emphasis on the core business, careful attention to selection of acquisition targets, and "financial slack" described as large amounts of available cash or a highly favorable debt position (p. 98). In addition to the absence of these attributes, unsuccessful acquisitions were characterized by unethical behavior by the senior management teams immediately before, during, or after the decision to join, multiple and simultaneous acquisitions, and diversification into unfamiliar businesses (p. 99). Finally, in a recently released merger and acquisition benchmarking study by KPMG (1999), in which shareholder value was used as the measure of success, the determinants of success were set by equity performance pre- and post-deal and these compared individual company performance against its own industry trends (online). Based on these comparisons, deals were distributed into three bins: "Those that failed to create value, those that neither created not destroyed value, and those that exceeded the industry trend" (online). Three *Hard Keys* and three *Soft Keys* characterized successful deals. When careful attention was paid to the *Hard Keys* such as the rationale for the acquisition (synergy evaluation), integration project planning, and due diligence, and

when the *Soft Keys* were satisfied, such as thoughtful selection of the management team, ample attention to bl[illegible]ding cultures, and non-stop communication, success followed (online).

These frameworks provided the criteria for interpretation (Yin, 1989), used to examine the interview data from senior executives in the four participating organizations. In addition, the researchers were particularly interested in when the senior HR executive was included in the decision-making process, and to what extent his/her participation guided the integration process.

Methodology

Research is generally accepted as being essential to the production or advancement of knowledge about the world or a specific phenomenon (Merriam, 1998; Merriam & Simpson, 1995). The basic conceptualization of research is that more is known about a phenomenon after engaging in the research process than was known before engaging in research (Merriam & Simpson, 1995). "The research problem is a catalyst for transferring one's general curiosities into a workable tool for planning and guiding research" (Merriam & Simpson, 1995, p.16) and exists as a gap in a given knowledge base. Merriam (1988) stated that there are three types of research problems: action, conceptual, and value. This study is directed toward identifying the specific actions (decision inputs) related to pre- and post-merger and acquisition firm configurations pertaining to the retention, deployment, and utilization of human resources.

Inductive reasoning, in which individual events are observed and interpreted drives this study. Insights gained from it may be viewed as "tentative hypotheses that help structure future research" (Merriam, 1998, p. 41). Hopefully, these tentative hypotheses can later be rigorously tested through future research studies. In addition to utilizing inductive reasoning, Merriam (1998) described four other characteristics of qualitative research. She defined qualitative research as "an umbrella concept covering several forms of inquiry that help us understand and explain the meaning of social phenomena" (p. 5). She proposed that qualitative research:

- provides an understanding of the event from the participant's view,
- utilizes the researcher as the instrument of data collection,
- involves fieldwork, and
- results in a richly descriptive product.

Selection of the Method

The case-study tradition (Creswell, 1998) was selected from among the other qualitative traditions-biography, phenomenology, grounded theory, and ethnography. Merriam (1998) advised that this tradition is particularly useful when the research is focused on understanding process. Yin (1989) proposed that case studies are best suited in situations in which the goal of the research is to "to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization)" (p. 21). Merriam (1998) further indicated that case-study design is normally employed to gain understanding and meaning from a given situation, rather than to test a certain set of variables. Discovery is its main utility rather than confirmation, according to Merriam. Yin (1989) indicated that case study is particularly useful to research questions involving "how" and "why" (p. 19), and cautioned that there are five steps in the case study research design that are particularly crucial:

1. The research questions,
2. Any propositions,
3. The unit of analysis,
4. The logic linking the data to the propositions, and
5. The criteria for interpretation.

These five steps deserve particular attention in this study. The research questions and the propositions supporting them were described earlier in this paper. The propositions described by Hitt et al. (1998) were the key determinants for site selection. The criteria for interpretation followed the theoretical frameworks noted above. With regard to the unit of analysis, Merriam (1998) stated that it could be "an individual, program, event, group, intervention, or community" (p. 19), and Merriam and Simpson (1995) indicated that it could be a "social unit such as an individual, group, institution, or community" (p. 108). Creswell (1998) agreed when he wrote that the unit of analysis could be "a program, an event, an activity, or individuals" (p. 61). In this study, the unit of analysis is individuals in key decision-making roles. These leaders are in upper level, senior management positions who have enormous influence and power within their organizations, and who are personally responsible for making and

implementing the merger or acquisition decisions. Two senior executives from each organization participated in lengthy interviews. In each case, one executive was the senior HR person, and the other held either a cabinet level or senior VP role. The selection criterion for this individual was high involvement in the actual decision to enter into a merger or acquisition. Documentation of internal communication and public announcements were used as a triangulation measure to validate the interview data. Creswell (1998) defined the context of the case as "its setting, which may be a physical setting or the social, historical, and/or economic setting for the case" (p. 61). In this study, the immediate contexts of the cases are the organizations in which these leaders are situated and operate. Naturally, each organization exists within its own external context.

Limitations of the Study

Stake (1995) warned, "Case study research is not sampling research" (p. 4). Case-study research is not intended to provide generalizability to the population as a whole. Some method of site or case selection must exist, however. Merriam (1988) advised that the preferred method of choosing cases is "nonprobability sampling" (p. 47) or disregarding the probability that all cases have equal chance of inclusion in the research sample. However she recommended "purposive" (Chein, 1981) or "purposeful" (Patton, 1990) sampling. This method of sampling, Merriam (1988) indicated, is "based on the assumption that one wants to discover, understand, gain insight; therefore one needs to select a sample from which one can learn the most" (p. 48). Consistent with these propositions, the four sites selected for this study present diverse perspectives but are aligned with Hitt's et al. (1998), theoretical propositions for engaging in merger or acquisition activities. Although post hoc fallacy is always a concern when capturing descriptions from participants, one of the primary goals of this study was to understand more clearly how key decision makers interpreted the relationships between their decisions and the subsequent organizational responses. Every effort was made to maintain interrater reliability through the intake process; interviews were either conducted by two researchers taking extensive notes or they were tape-recorded. All three researchers independently coded the interview data and resolved differences through consensus.

Results and Discussion

Probably the single most compelling insight gained from the content analysis was the secrecy and urgency surrounding the actual decision to merge or acquire. Given the "megatrend" of these deals in the current business environment, several of the non-HR executive interview subjects noted that, "It isn't a matter of if we will do this; it's a matter of when." In other words, environmental scanning for possible deals is continuous and when the right alliance or target appears on the radar screen, the top decision makers in the organization move and move fast. In no case did the actual decision to merge or acquire include hands-on input or guidance from the senior HR executive. However, the identification of the HR leadership is one of the decisions made in the identification of the top leadership team. The process for selecting the top leadership team (including the top HR executive) varied somewhat by research site but in all cases the teams were named as soon as verbal agreements to make deals were reached. None of the organizations studied are more than eighteen months post decision and FWC closed its deal on November 1, 1999. During the interviews, several executives noted that, "It's too soon to reflect." Although this statement may indicate a reluctance to make predictions of success, interviewees were not hesitant to critically evaluate what went well, what did not, and what they would do differently next time.

The responses to the four research questions are summarized below.

Table 1
Responses to Research Questions

Site	Question 1	Question 2	Question 3	Question 4
Bimba	Integral part of the decision to make the deal – the issue itself, not presented by the HR executive	Minimal – goal of preservation indicated that they should keep 'hands off"	Minimal – success understood to come from synergy evaluation, not hi-touch HR	Moderate – would increase attention to selection of top management and culture issues
DSM Desotech	Integral part of the decision to make the deal– the issue itself, not presented by the HR executive	Critical – 100% retention was the goal	High-retention goals met so far	Moderate – given similar circumstances would repeat HR initiatives – they worked
FWC	Immediately after decision to deal	Minimal –knew there would be some challenges but other factors were more important	Minimal in formal HR planning terms – however, due to small size of both orgs, mgmt and HR 'hand held" the transition period	Too soon to tell – always need to do more
BankOne	Immediately after decision to deal	High – large workforce, reduce as much uncertainty as soon as possible to retain key people	High – especially in relation to communication and speed of implementation planning and execution	Very High – consolidation and transfer of strategic capability are the determinants of survival in financial services today – "We must become experts in mergers and acquisitions"

The overall weight of HR planning and the early entry of these concerns (in most cases once the decision to merge, acquire, or be acquired had been made) impressed the researchers. The often-repeated refrain with clients begins with, "Ever since we were acquired (or merged with, or were bought out by. . .) we have been unable to do such and such." The task then as HRD consultants is one of a clean-up crew leading to the assumption that if HR planning had been done right in the beginning, these problems would not be here. This is a problematic assumption because, even when everything is executed perfectly, the bottom-line is people have to change and people dont like to change! The most carefully selected target and crystal clear due diligence can make the deal happen but cant make the deal succeed. Over and over, the interviewees stressed the need for emphasis on the people issues. The senior executives in these organizations expected rapid implementation of HRM, including the complex integration of diverse compensation and benefit plans and they got it. What gave them pause were issues such as the unanticipated fallout effects of reduced productivity, interface management, and, in a few cases, the need for termination, or unexpected resignations of a few key senior managers.

The following table summarizes the findings from the interview data and document analysis:

Table 2
Summarized Responses From Organizations Grouped by Research Framework

Analytical Framework	DSM Desotech	FWC	Bimba	Bank One
Jemison and Haspeslagh (1998)	Preservation	Symbiosis	Preservation	Absorption
Hitt et al. 1998)	• R & D/ Innovation • Focus on core business • Selection of target	• R &D/ • Innovation • Focus on core business	• Focus on core business • Selection of target	• Focus on core business • Change flexibility • Selection of target
KPMG (1999)	• Synergy evaluation • Due diligence • Integration project planning • Top management selection • Communication	• Synergy evaluation • Due diligence • Top management selection • Communication	• Synergy evaluation • Due diligence • Communication	• Synergy evaluation • Due diligence • Integration project planning • Culture • Communication • Top management selection

The summary presented here in table format indicates the presence of attention to the various attributes or characteristics described in the theoretical framework. Inclusion of a given factor for a particular site does not necessarily mean that the interview subject believed that the process had been done in an exemplary manner. However, it does indicate that there was serious intention, pre-planning, and decision making in regard to these aspects of merger and acquisition planning and implementation. Absence in the table of aspects of the various analytical frameworks indicates that, in the prioritization process, those factors did not seem as important (critical to the success of the deal) as the ones that are included. Did the executives make the right decisions and set the right priorities? The ***Lessons Learned*** section presents some insights that are apparent right now. However only the future value created by the decision can determine the merit of the path they took.

Lesson Learned and Implications for Research and Practice

In the most general sense, each of the participating organizations would increase the amount and types of communication to the workforce. For BankOne the lesson learned was that although there was ample information available on business unit level goals, objectives, and timeframes, employees were hungry for more information on corporate level goals and strategic capability transfer. FWC thought they could have done more to communicate to people what to expect between the time the deal is announced and when it closes. Delays that the senior management teams on both sides fully expected caused a substantial loss of energy and productivity among the ranks. DSM Desotech spent so much energy focusing on acquisition side, that they later discovered problems cropping up in the area of interface management. If they could go back and do it over, they would increase the communication to the departments of the acquiring organization that would be dealing regularly with the new acquisition. Finally, Bimba would have more closely examined the issues of blending organizational cultures and used communication (written and verbal) to smooth the transition. The goal of preservation (Haspeslagh & Jemison, 1991), of the uniqueness of the acquired organization was highly influential in the communication strategies employed by DSM Desotech and Bimba. Looking back, they realized that more and different communication would have helped them rather than hindered them.

Other areas that some of the research sites mentioned when asked about lessons learned were:

- More attention to transition plans and transition teams at the business unit level.
- More attention to, and earlier resolution of, information system management, systems integration, or systems replacement.

Only one site reported that they would seek earlier and greater involvement from HR in future mergers or acquisitions. In a summary of three recent studies (Eichinger & Ulrich, 1995, Rothwell, 1996, and Vicere & Prescott, 1997), Rothwell (1998) identified six key roles for HR leaders:

1. Change agent
2. HR strategist
3. Business strategist
4. HR functional aligner
5. Partner to general mangers
6. Problem solver and consultant (p. 31).

This study revealed that HR expertise was counted on for implementation planning, but clearly on a more tactical level, in all sites except BankOne, as characterized by the last three of the competencies listed above. It was not surprising to the researchers that HR input was not sought during the actual strategic decision to engage in a particular merger or acquisition, nor was there any evidence that it will ever be valuable or appropriate during that stage of the process. However, it was clear from the interviews that expert HR input was essential as soon as the decision was made. Predictably, lessons learned strongly indicate that a broader more strategic HR role would serve to help manage the transitions, communication, and integration processes critical to the success of a merger or acquisition. This insight, coupled with the idea noted earlier that mergers and acquisitions are becoming the norm for organizational survival and growth, lends a different perspective to how the HRD profession should understand its roles and responsibilities. Industry-specific culture change management (combining the first and third competencies noted by Rothwell, 1998) may be the most important strategic role for HRD in assisting organizations with mergers and acquisitions.

Conducting research that investigates and analyzes the HRD issues specific to the tumultuous and high impact merger or acquisition decision-making process is an important step in providing systematically developed best practices for HRD decision making and implementation planning under these stressful and unpredictable conditions.

References

Chein, I. (1981). Appendix: An introduction to sampling. In L. H. Kidder (Ed.), Selltiz, Wrightsman, and Cook's research methods in social relations (4th ed.) (pp. 418-444). New York: Holt, Reinhart, and Winston.

Creswell, J. (1998). Qualitative inquiry and research design: Choosing among the traditions . Thousand Oaks, CA: Sage Publications.

Eichinger, R., & Ulrich, D. (1995). Human resource challenges: Today and tomorrow. The Human Resource Planning Society Workbook. New York: The Human Resource Planning Society.

Haspeslagh, P. C., & Jemison, D. B. (1991). Managing acquisitions: Creating value through corporate renewal. New York: The Free Press.

Hitt, M., Harrison, R., Ireland, D., and Best, A. (1998). Attributes of successful and unsuccessful acquisitions of US firms. British Journal of Management, 9, 91-114.

KPMG, (1999), Unlocking shareholder value: the keys to success. Mergers & Acquisitions: A Global Research Report.. <http://www.kpmg.co.uk/kpmg/uk/services/manage/pubs/m&a_99.pdf> [1999, Nov. 14].

Lipin, S. (1997, February 26). Corporations'dreams converge on one idea: Its time to do a deal. Wall Street Journal, pp. A1, A12.

Mace, M. L., & Montgomery, G. (1962). Management Problems of Corporate Acquisitions. Cambridge, MA: Harvard University Press.

Merriam, S. (1998). Qualitative research and case study applications in education. San Francisco, CA: Jossey-Bass.

Merriam, S., & Simpson, E. (1995). A guide to research for educators and trainers of adults. Malabar, FL: Krieger.

Patton, M. (1990). Qualitative evaluative methods (2nd ed.). Newbury Park, CA: Sage Publications.

Rothwell, W. J. (1996). A 21st century vision of strategic human resource management. Unpublished manuscript, report to the Society for Human Resource Management and CCH, Incorporated.

Rothwell, W. J., Prescott, R. K., & Taylor, M. W. (1998). Strategic human resource leader: How to prepare your organization for the six key trends shaping the future. Palo Alto, CA: Davies-Black.

Stake, R. (1995). The art of case study research. Thousand Oaks, CA: Sage Publications.

Vicere, A., & Prescott, R. (1997). HR: Meeting the challenge of the future. Unpublished manuscript.

Yin, R. (1989). Case study research: Design and methods. Newbury Park, CA: Sage.